

Message Text

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ACTION AF-04

INFO OCT-01 SS-14 ISO-00 EUR-08 EB-03 EA-06 NSC-05 NSCE-00

SP-02 L-01 INR-05 CIAE-00 OMB-01 H-01 /051 W

----- 081986

R 151625Z AUG 75

FM AMEMBASSY BONN

TO SECSTATE WASHDC 2171

INFO AMEMBASSY BRUSSELS

AMEMBASSY KINSHASA

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY TOKYO

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LIMDIS

E. O. 11652: GDS

TAGS: EAID, EFIN, CG, GW

SUBJECT: FINANCIAL ASSISTANCE TO ZAIRE

REF: A) STATE 182865, B) BONN 8398, C) BONN 9952

1. ON AUGUST 14 EMBOFF CONVEYED SUBSTANCE OF REFTEL A TO DHONDT, ACTING DIRECTOR OF AFRICA DIVISION IN MINISTRY FOR ECONOMIC COOPERATION (MEC).WHEN ASKED IF THE FRG PLANNED TO OFFER ADDITIONAL ASSISTANCE AT THIS TIME, DHONDT REPLIED THAT THE MATTER WAS CURRENTLY TIED UP BY DISCUSSIONS ON THE AMOUNT OF ADDITIONAL FUNDS THE MEC WILL RECEIVE UNDER THE UPCOMING FEDERAL PROGRAM TO REVITALIZE THE ECONOMY. DHONDT EXPECTS THE MEC TO RECEIVE AS MUCH AS 10 PERCENT OF THE EXPECTED DM 5 BILLION IN NEW FEDERAL SPENDING. IF THIS EXPECTATION IS REALIZED, APPROXIMATELY DM 20 MILLION WOULD BE AVAILABLE FOR ZAIRE.THIS ASSISTANCE WILL PROBABLY CONSIST OF TWO

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ELEMENTS: A LINE OF CREDIT TO BE USED BY THE GOZ IN

FINANCING IMPORTS, AND SHIPMENTS OF SPECIFIC GERMAN PRODUCTS TO ZAIRE, WHICH WILL BE FINANCED BY THE FRG. THE MEC HAS SUGGESTED THAT FERRY BOATS, PRINTING FOODGRAINS BE INCLUDED

AMONG THE SPECIFIC IMPORTS WHICH THE FRG WILL DELIVER DIRECTLY. WITH RESPECT TO THE LINE OF CREDIT, IT IS EXPECTED THAT THE MEC WILL BE UNDER CONSIDERABLE PRESSURE TO ENSURE THAT IT IS USED PRIMARILY FOR PURCHASES OF GERMAN PRODUCTS, SINCE MAIN PURPOSE OF ADDITIONAL BUDGET FUNDS FOR MEC IS TO STIMULATE EXPORTS, WHICH IN TURN WILL CONTRIBUTE TO AN UPSWING IN THE ECONOMY. OFFICIALLY, HOWEVER, THE GERMANS WILL DENY THAT AID IS IN ANY WAY TIED.

2. DHONDT, WHO SPOKE WITH EMBOFF PRIOR TO WISCHNEWSKI VISIT TO ZAIRE IN JUNE (REFTEL B), WAS PESSIMISTIC REGARDING THE FRG'S ABILITY TO PROVIDE ASSISTANCE ALONG THE LINES OF US APPROACH. THE GERMANS REGARD THEIR DM 70 MILLION LOAN FOR CAPITAL ASSISTANCE PROJECTS, WHICH WAS ANNOUNCED DURING THE WISCHNEWSKI VISIT, AS A GENEROUS CONTRIBUTION IN LIGHT OF SEVERE PRESSURES ON MEC BUDGET. DHONDT ACKNOWLEDGES THAT MUCH MORE NEEDS TO BE DONE, BUT PRESSURES WITHIN THE GOVERNMENT FOR FURTHER ASSISTANCE TO THE MSAS AND LEAST DEVELOPED COUNTRIES MUST ALSO BE RECKONED WITH. HE ADMITTED THAT ZAIRE'S SHARE OF THE POSSIBLE DM 500 MILLION ADDITION TO THE AID BUDGET WAS RATHER SMALL.

3. FINANCE AND ECONOMICS MINISTRIES, WHICH PARTICIPATE WITH MEC AND FONMIN IN INTERAGENCY DISCUSSIONS OF ZAIRE SITUATION, ARE REPORTEDLY WILLING TO CONSIDER SHORT-TERM BOP ASSISTANCE, INCLUDING PERHAPS HERMES GUARANTEES, IF REPEAT IF ZAIRE ACCEPTS IMF STABILIZATION PROGRAM. HOWEVER, FRG HAS NO EVIDENCE TO DATE THAT MOBUTU IS PREPARED TO ACCEPT IMF TERMS. HERMES GUARANTEES ARE CONSIDERED TOO RISKY AT PRESENT DUE TO CHAOTIC ZAIRIAN FINANCIAL ACCOUNTS AND DOUBTFUL CREDITWORTHINESS. LEVEL OF GERMAN BOP ASSISTANCE THAT MIGHT BE FORTHCOMING UNDER FRAMEWORK OF IMF STABILIZATION PLAN HAS NOT BEEN DISCUSSED

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BY INTERAGENCY GROUP.

4. DHONDT ASKED EMBOFF IF MEETING OF CONSULTATATIVE GROUP FOR ZAIRE, WHICH IS SCHEDULED FOR NOVEMBER, WOULD IN FACT TAKE PLACE. HE HAS NOT RECEIVED ANY INFORMATION ON THE MEETING FROM EITHER THE GOZ OR OTHER DONORS. PLEASE ADVISE.

5.TEXT OF GERMAN-ZAIRIAN MIXED COMMISSION MEETING
(IN FRENCH), INCLUDING DETAILS OF DM 70 MILLION CAPITAL
ASSISTANCE LOAN AND FUTURE TECHNICAL ASSISTANCE
PROJECTS, WILL BE SENT BY AIRGRAM.
CASH

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Message Attributes

Automatic Decaptoning: Z
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ECONOMIC DEVELOPMENT, ECONOMIC ASSISTANCE, FOREIGN EXCHANGE CRISIS, CREDIT GUARANTEES
Control Number: n/a
Copy: SINGLE
Draft Date: 15 AUG 1975
Decapton Date: 28 MAY 2004
Decapton Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: GolinoFR
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975BONN13281
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D750283-0183
From: BONN
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750846/aaaabobl.tel
Line Count: 120
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION AF
Original Classification: CONFIDENTIAL
Original Handling Restrictions: LIMDIS
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: LIMDIS
Reference: 75 STATE 182865, 75 BONN 8398, 75 BONN 9952
Review Action: RELEASED, APPROVED
Review Authority: GolinoFR
Review Comment: n/a
Review Content Flags:
Review Date: 23 APR 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <23 APR 2003 by CunninFX>; APPROVED <24 APR 2003 by GolinoFR>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
06 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: FINANCIAL ASSISTANCE TO ZAIRE
TAGS: EAID, EFIN, CG, GE
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006